

Message Text

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ACTION AF-08

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FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC IMMEDIATE 5661

INFO AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

LIMITED OFFICIAL USE SECTION 1 OF 2 PRETORIA 4358

E.O. 11652: N/A

TAGS: EINV, ELAB, SF

SUBJECT: SENATE HEARINGS ON U.S. POLICY TOWARD SOUTH AFRICA

REF: 228027

1. REPLIES TO QUESTIONS REFTEL HAVE BEEN PREPARED WITH HELP OF THREE CONSULAR OFFICES IN SA. DEPT SHOULD ALSO HAVE BY NOW JOHANNESBURG A-72 OF SEPTEMBER 8 AND A-75 OF SEPTEMBER 15. LATTER PARTICULARLY HAS MANY DETAILS ON STATE OF EMPLOYMENT PRACTICES BY U.S. FIRMS. WE ARE ALSO POUCHING (ATTN: WISNER) COPY OF "LABOR PRACTICES OF U.S. CORPORATIONS IN SOUTH AFRICA", ISSUED BY INVESTOR RESPONSIBILITY RESEARCH CENTER APRIL 1976.

A. CURRENT ESTIMATE OF HOW U.S. COMPANIES COMPARE WITH OTHER FOREIGN AND SOUTH AFRICAN FIRMS.

WE BELIEVE A NUMBER OF U.S. FIRMS ARE PURSUING PRACTICES WHICH PLACE THEM IN FRONT RANKS OF ALL COMPANIES IN SA. JOHANNESBURG'S A-72 NOTES ON U.S. FIRM CLAIMS ITS PRACTICES

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ARE MOST ADVANCED BUT ARE COMPARABLE OR JUST A STEP BEHIND

BEST SA COMPANIES.

ALL U.S. FIRMS RECENTLY CONTACTED (AT LEAST 60) BELIEVED TO HAVE MADE SUBSTANTIAL IMPROVEMENTS SINCE OUR 1973 SURVEY. STILL VARIATION AMONG U.S.-OWNED FIRMS. THOSE WHICH ARE LARGER, FINANCIALLY STRONGER, MORE CONSPICUOUS ON LOCAL SCENE AND MORE CLOSELY LINKED TO U.S. PARENT, PARTICULARLY THOSE UNDER MANAGEMENT BY U.S. CITIZENS, ARE MOST PROGRESSIVE AND INNOVATIVE. SMALLER SUBSIDIARIES IN LABOR SURPLUS AREAS OR OPERATING IN CLOSE COMPETITION WITH DOMESTIC SA FIRMS, AND THOSE FIRMS MANAGED BY SOUTH AFRICAN CITIZENS, TEND TO FOLLOW LOCAL PRACTICE AS DETERMINED IN CONSULTATION AMONG EMPLOYERS, ADVICE FROM CHAMBERS OF COMMERCE, ETC.

VIRTUALLY ALL US FIRMS HAVE RAISED REAL WAGES OF BLACK WORKERS, BUT AVERAGE DIFFERENTIAL STILL AT FIVE TO ONE, OWING IN SOME DEGREE TO SEVERE SHORTAGE OF WHITE ARTISANS. COMPANIES CLAIM THEY FOLLOW "EQUAL PAY FOR EQUAL WORK" POLICY BUT WITH MOST BLACKS STILL EMPLOYED ON PRODUCTION LINES, AS CONSTRUCTION LABORERS, OR MINE WORKERS AND BLOCKED FROM ACHIEVING ARTISAN STATUS, THIS IS A HOLLOW BOAST. THERE ARE INCREASING EXAMPLES OF BLACKS BEING ASSIGNED HIGHER POSITIONS AS SUPERVISORS OF WORK TEAMS, DISPATCH CLERKS, LAB TECHNICIANS, PERSONNEL OFFICERS, SALESMEN IN TOWNSHIP OR HOMELAND AREAS, ETC. SOME BREAKTHROUGHS HAVE OCCURRED AS TO SKILL LEVELS TO WHICH BLACKS OR OTHER NON-WHITES MAY BE PROMOTED. ATTITUDES OF SOME UNIONS AND INDIVIDUAL WHITE EMPLOYEES STILL HAMPER PROGRESS, PARTICULARLY NOW DURING FIRST SERIOUS SA RECESSION IN POSTWAR PERIOD. INADEQUATE EDUCATION AND TRAINING OPPORTUNITIES FOR BLACKS STILL A LIMITING FACTOR.

B. CURRENT ACTIVITIES OF POSTS IN SA IN FURTHERING OUR POLICY OF ENCOURAGING BETTER EMPLOYMENT PRACTICES.

OVER PAST SEVERAL MONTHS, LABOR OFFICER HAS PERSONALLY VISITED OVER 50 U.S. CORPORATIONS AND DISTRIBUTED QUESTIONNAIRES ON LABOR PRACTICES TO UPDATE 1973 SURVEY. WAS ACCOMPANIED BY CONSUL GENERAL JOHANNESBURG ON 25 OF THESE CALLS, AND BY OFFICERS DURBAN AND CAPE TOWN TO MOST OTHERS. OPPORTUNITY TAKEN DURING EACH INTERVIEW TO REVIEW US POLICY AND URGE LIMITED OFFICIAL USE

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ACCELERATED ADOPTION OF LIBERAL LABOR PRACTICES. (FYI. COMPLETED QUESTIONNAIRES ARE BEING RETURNED SLOWLY POSSIBLY BECAUSE FIRMS ARE CLEARING WITH US HEAD OFFICE.)

AS PART OF REGULAR PROGRAM OF CONTACTS WITH AMERICAN CITIZEN HEADS OF LARGER AFFILIATES, AMBASSADOR RECENTLY HELD MEETING FOR US FIRMS IN DURBAN AREA, HAS VISITED US AUTO AND TIRE MANUFACTURERS PORT ELIZABETH, AND MET INDIVIDUALLY

WITH US COMPANY HEADS IN JOHANNESBURG AND CAPE TOWN. AMBASSADOR ALSO RECEIVES PERSONALLY MOST US BUSINESS CALLERS AT EMBASSY AND INVARIABLY STRESSES IMPORTANCE OF PROGRESSIVE LABOR PRACTICES.

C. EXTENT OF CONTACTS WITH OTHER FOREIGN MISSIONS.

REGULAR CONTACT HAS BEEN INSTITUTED WITH THOSE FOREIGN GOVTS REPRESENTED HERE WHICH ALSO ARE ACTIVELY MONITORING LABOR PRACTICES OF THEIR INVESTORS. MAINLY CONDUCTED AT JOHANNESBURG WHERE US LABOR OFFICER IS RESIDENT. BRIEF RUNDOWN FOLLOWS:

CANADA: ONLY ABOUT 20 WHOLLY-OWNED CANADIAN FIRMS IN SA, MOSTLY IN MINING. ON REQUEST, ORAL BRIEFING GIVEN ON POLITICO-ECONOMIC SITUATION AND FIRM REMINDED OF POTENTIAL EXPOSURE BACK HOME.

AUSTRALIA: SINCE 1974, FIRMS DISCOURAGED FROM ACTIVELY SEEKING INVESTMENT; EXISTING INVESTORS URGED TO MAINTAIN ADVANCED LABOR PRACTICES. SOME 30 FIRMS IN SA, BUT MOST ARE NOT SUBSTANTIAL EMPLOYERS.

UNITED KINGDOM: HAS LABOR OFFICER WHO IS IN CLOSE TOUCH WITH US LABOR OFFICER. STRONG RECOMMENDATIONS PROVIDED BOTH ORALLY AND IN LETTERS TO UK FIRMS (ABOUT 500) COVERING WAGES SUBSTANTIALLY ABOVE DATUM LINES, ADVANCEMENT AND TRAINING OF NON-WHITES, HOUSING, MEDICAL CARE, PENSIONS AND FAMILY AID.

ITALY: NO FORMAL GOVT PROGRAM. US COMMERCIAL OFFICER JOHANNESBURG PLANNING TO MEET SHORTLY WITH FIAT AND ALFA ROMEO.

FRANCE: UNTIL RECENTLY NO REQUEST FROM PARIS FOR EVALUATION OF LABOR PRACTICES. HOWEVER, IN RESPONSE TO BRITISH-INSPIRED LIMITED OFFICIAL USE

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INITIATIVE IN EC, REPORT RECENTLY SUBMITTED ON 15 INTERVIEWS WITH FRENCH AFFILIATES.

JAPAN: DOES NOT PERMIT INVESTMENT IN SA.

FRG: NO ACTIVITY IN THIS AREA.

D. CURRENT GENERAL REACTIONS OF US FIRMS TO RIOTS AND WORK BOYCOTTS.

EFFECTS ON US INVESTMENT SINCE VIOLENCE BEGAN LAST JUNE CANNOT BE ASSESSED WITH CERTAINTY BECAUSE MAJOR INVESTMENT DECISIONS ARE OF LONG GESTATION. SAG ADMITTED PUBLICLY FOREIGN INVESTMENT SLACKENED IN SECOND QUARTER OF 1976, I.E. EVEN BEFORE SOWETO, OWING TO GENERAL TURBULENCE IN SUBCONTINENT.

GOVT OFFICIALS TELL US PRIVATELY NEW INVESTMENT HAS COME TO
STANDSTILL. FOREIGN BANKERS TOOK FIRST RIOT HEADLINES MORE
IN STRIDE THAN INDUSTRIAL ENTERPRISES BUT CONTINUATION OF
DISTURBANCES HAS HAD EFFECT ON THEM AS WELL.

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CAPE TOWN NOTES THAT MAJOR EXPANSIONS LIKE MOBIL AND CALTEX
REFINERIES ARE PROCEEDING AND SMALLER FIRMS ALSO ARE REINVESTING
EARNINGS TO MAINTAIN MARKET SHARES OR SWITCH TO MORE LUCRATIVE
LINES. JOHANNESBURG SAYS U.S. AFFILIATES AND BANKS REGARD
OVERLY DRAMATIC MEDIA REPORTS AS IMPACTING ON INVESTMENT
DECISIONS BY U.S. HEADQUARTERS AND RESTRICTING THEIR FREEDOM
TO MANEUVER. CITIBANK AND CHASE ARE NOT REPATRIATING BEYOND
THEIR NORMAL SCHEDULES AND INDEED THEIR CLIENTS ARE COMING
TO THEM FOR MORE FUNDS (PARTICULARLY IMPORT CREDITS). PRESENT
SITUATION IS WORRISOME BUT FIRMS REMAIN COMMITTED TO THEIR
INVESTMENT DECISIONS WHICH WERE BASED ON SOUND MANAGEMENT -
MARKETING - BUSINESS FACTORS WHICH HAVE NOT CHANGED. THEY
HAVE ALSO DRAWN ENCOURAGEMENT FROM SECRETARY'S INITIATIVES.

DURBAN ALSO REPORTS ATTITUDE OF CAUTION AND SECOND THOUGHTS
EVEN THOUGH NATAL LITTLE AFFECTED BY UNREST. ONE COMPANY
KNOWN TO BE ADVISING RETRENCHMENT TO HOME OFFICE.

E. CHANGES IN BLACK-WHITE WAGE GAP. (A) STATISTICS FROM

NUMBER OF SOUTH AFRICAN SOURCES SHOW THAT IN REAL TERMS WHITE-BLACK AND WHITE-NON-WHITE WAGE GAPS NARROWED BETWEEN 1970-75. AN ACCELERATION OF THIS TREND OCCURRED BETWEEN 1974 AND 75 WHEN REAL WAGES (NON-AGRICULTURAL) OF WHITES DECLINED WHILE LIMITED OFFICIAL USE

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REAL WAGES OF BLACKS GREW SIGNIFICANTLY. CALCULATING OF THE BASIS OF ACTUAL WAGE RATES PUBLISHED BY S.A. DEPARTMENT OF STATISTICS AND INCREASE IN CONSUMER PRICE INDEX, NON-AGRICULTURAL WAGES INCREASED FROM 1970-75 IN REAL TERMS (CONSTANT 1970 PRICES) AT AN AVERAGE ANNUAL RATE OF 1.3 PERCENT FOR WHITES, 8.0 PERCENT FOR BLACKS, 4.5 FOR ASIANS, AND 3.8 PERCENT FOR COLOREDS. BETWEEN 1974 AND 1975, REAL WAGES OF WHITES DECLINED BY 0.4 PERCENT WHILE REAL WAGES OF BLACKS GREW BY 12.5 PERCENT, REAL WAGES OF ASIANS BY 2.2 PERCENT, AND OF COLOREDS BY 1.0 PERCENT (ALL NON-AGRICULTURAL).

STATISTICS PUBLISHED BY SA RESERVE BANK SHOW THAT FOR NINE MONTHS ENDING MARCH 30, 1976, REAL WAGES OF WHITES DECLINED BY 1.5 PERCENT COMPARED TO CORRESPONDING PERIOD IN PRECEDING YEAR WHILE REAL WAGES OF NON-WHITES GREW BY 6.6 PERCENT IN SAME PERIOD. IN TERMS OF REAL DISPOSABLE INCOME, GAP BETWEEN WHITES AND NON-WHITES NARROWED FURTHER AS INCREASE OF MORE THAN 30 PERCENT IN DIRECT TAXES OVER 1970-75 PERIOD AFFECTED WHITES PROPORTIONATELY MORE THAN NON-WHITES UNDER S.A. TAX SYSTEM. RESERVE BANK STATES REAL DISPOSABLE INCOME OF WHITES ACTUALLY UNDERWENT A DECLINE OVER 1970-75 PERIOD WHEN DIRECT TAXES TAKEN INTO ACCOUNT. (B) IN TERMS OF CURRENT RAND, AVERAGE NON-WHITE WAGES REMAINED LESS THAN ONE-THIRD OF WHITE WAGES IN 1975 BUT PERCENTAGE OF WHITE WAGES REPRESENTED BY NON-WAGES INCREASED OVER 1970-75 PERIOD. AVERAGE MONTHLY PER CAPITA WAGES FOR BLACKS IN MANUFACTURING ROSE FROM R60 IN 1970 TO R106 IN 1975 (ONE RAND - \$1.15). THIS REPRESENTED AN INCREASE OF 16.8 TO 20.8 OF PERCENTAGE OF BLACK WAGES TO WHITE WAGES. AVERAGE ASIAN WAGES IN MANUFACTURING GREW FROM R96 TO R150 1970-75 AND FROM 26.8 TO 29.4 AS PERCENT OF WHITE WAGES. AVERAGE COLORED WAGES IN MANUFACTURING ROSE FROM R88 TO R131 1970-75 AND FROM 24.6 TO 25.7 AS PERCENT OF WHITE WAGES. AVERAGE WHITE WAGES IN MANUFACTURING INCREASED FROM R357 TO R510 FROM 1970-75. IN MINING, AVERAGE BLACK WAGES INCREASED FROM R22 TO R74 (NOT COUNTING FOOD AND LODGING PROVIDED MINERS) 1970-75 AND FROM 5.5 TO 12.0 PERCENT OF WHITE WAGES. AVERAGE WHITE WAGES IN MINING GREW FROM R399 TO R620 OVER 1970-75 PERIOD. IN CONSTRUCTION AVERAGE BLACK WAGES GREW FROM R60 TO R104 AND 16.1 TO 20.4 PERCENT OF WHITE WAGES. AVERAGE WHITE WAGES IN CONSTRUCTION GREW FROM R372 TO R509 FROM 1970-75. RECENT SURVEY BY UNIVERSITY OF SOUTH AFRICA REPORTS ACTUAL LIMITED OFFICIAL USE

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ANNUAL PER CAPITA INCOME (NOT WAGES) OF BLACKS IN JOHANNESBURG AREA GREW BY 111 PERCENT (R297 TO R628) FROM 1970-75 AS OPPOSED TO A 58 PERCENT PER CAPITA INCREASE FOR WHITE IN JOHANNESBURG. (C) ALL ABOVE STATISTICS ARE BASED ON NON-AGRICULTURAL WAGE RATES. MEANINGFUL STATISTICS ON CHANGES IN AGRICULTURAL WAGE RATES ARE NOT PUBLISHED DUE IN PART TO SUCH FACTORS AS PAYMENTS IN KIND AND MOVEMENTS OF WORKERS IN AND OUT OF AGRICULTURAL WAGE SECTOR. IN GENERAL, AGRICULTURAL CASH WAGE RATES ARE BELOW THOSE OF OTHER SECTORS.

F. CURRENT BLACK SA OPINION ON WHETHER AMERICAN FIRMS SHOULD PULL OUT.

OPINION IN THE BLACK COMMUNITY IS DIVIDED. MODERATE BLACK OPINION, INCLUDING POLITICAL AND BUSINESS LEADERS, ACADEMICS, ETC. FAVOR US BUSINESS PRESENCE FOR A VARIETY OF REASONS. AMONG THOSE ARE: IT PROVIDES JOB OPPORTUNITIES AND TRAINING WHICH ENABLES BLACK WORKER TO UPLIFT HIMSELF AND FAMILY; LABOR PRACTICES ARE ABOVE GENERAL AVERAGE AND THEREFORE HELP SET EXAMPLE; SAG INTEREST IN HAVING US INVESTMENT AND TECHNOLOGY TRANSLATES INTO USG LEVERAGE. THERE IS ALSO NOT INCONSIDERABLE BODY OF OPINION, PARTICULARLY AMONG BLACK CONSCIOUSNESS ACTIVISTS AND YOUTH, THAT US BUSINESS PRESENCE HELPS TO PROP UP VORSTER GOVERNMENT AND APARTHEID. THEY DO NOT DENY BENEFITS WHICH BLACKS DERIVE FROM WORKING FOR US COMPANIES, BUT BECAUSE OF THEIR IMPATIENCE OVER PACE OF CHANGE PREFER A NO-INVESTMENT POLICY BECAUSE THEY BELIEVE THIS WOULD RESULT IN MORE PRESSURE ON THE GOVERNMENT NOW THAN IS THE CASE WITH THE SLOWER EVOLUTIONARY PROCESS OF RAISING THE STANDARD OF LIVING OF THE BLACKS.

CAPE TOWN KNOWS OF NO RECOGNIZED COLORED LEADER WHO HAS CALLED FOR WITHDRAWAL OF FOREIGN FIRMS, BUT STUDENT LEADERS AND ACTIVISTS AT COLORED CAPE UNIVERSITY SHOW CONSIDERABLE HOSTILITY TO FOREIGN INVESTMENT AS PROPPING UP SYSTEM. RADICAL ELEMENTS CHOOSE TO CONSTRUE SECRETARY'S EFFORTS WITH RESPECT TO NAMIBIA AND RHODESIA AS MOTIVATED BY DESIRE TO PROTECT US INVESTMENTS IN SOUTHERN AFRICA.

WE THINK GREAT MAJORITY OF BLACKS ILL-INFORMED ON THIS TOPIC AND HAVE TO REAL OPINION. ISSUE OF FOREIGN INVESTMENT IS IN LIMITED OFFICIAL USE

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ANY CASE NOT SUBJECT OF PRIMARY ATTENTION OR CONTROVERSY AT PRESENT AND SCARCELY ANY VIOLENCE OR SABOTAGE HAS BEEN MOUNTED AGAINST US FIRMS.
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